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29 August 1966

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INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

USAID, ARMY, State reviews completed

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(23 August - 29 August 1966)

C O N T E N T S

Section

POLITICAL SITUATION

I

Viet Cong anti-election effort; Buddhist Institute boycott of election; Government attempts to assure large turnout; Significance of size of the vote.

REVOLUTIONARY DEVELOPMENT

II

Achievements during July; Rural attitudes toward revolutionary development; Cadres' status during July; Viet Cong defectors (Chieu Hoi).

ECONOMIC SITUATION

III

Prices; Currency and gold; Pork; Rice; Credit; Meeting with Minister Thanh; Textile production; Labor problems.

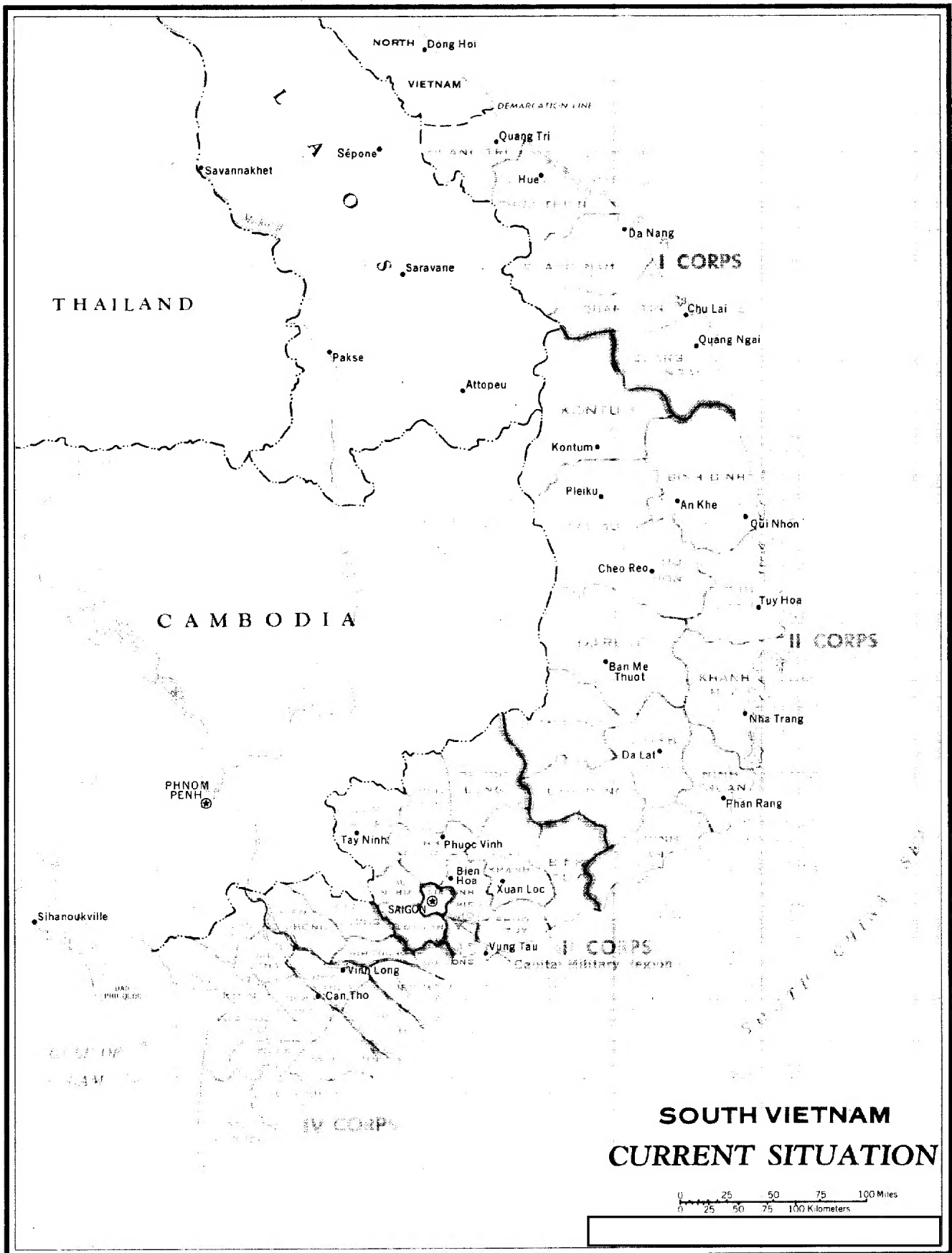
ANNEX: Weekly Retail Prices in Saigon (table)

South Vietnam Economic Indicators (graphs):
-Free Market Gold Prices (weekly and monthly)
-Cost of Living Index
-Foreign Exchange Reserves

SUPPLEMENT: Buddhist and Other Anti-election Activity

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I. POLITICAL SITUATION

Reports from South Vietnam continue to reflect a significant effort by the Viet Cong to disrupt the election of a constitutional assembly. The Buddhist Institute militants, meanwhile, are implementing their call for an election boycott. Premier Ky initiated the formal, two-week campaign period by appealing for a large voter turnout despite the threat of Viet Cong intimidation. The magnitude of the anti-election activities and the strong government efforts to counter them thus impart increasing significance to the size of the vote.

Viet Cong Anti-Election Effort

1. The Viet Cong are making a significant nationwide effort to disrupt South Vietnam's election of a constitutional assembly on 11 September. Numerous reports reveal that Viet Cong anti-election plans in the provinces range from the seizure of voter identity cards, sabotage of polling places, and interception of ballot boxes to the specific deployment of a well-armed enemy battalion near a populated area in central Vietnam. Communist propaganda, more intensive than that preceding past elections, reached a high point on 21 August when a Liberation Front radiobroadcast threatened the lives of candidates and government personnel assisting in the election process in the Saigon area.

2. Specific Communist incidents directly associated with the election have been scattered thus far, but more can be expected as public gatherings for events during the formal campaign period offer the Viet Cong opportunities for acts of terrorism and sabotage.

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Further separate coverage of this subject is anticipated over the next several weeks.)

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Buddhist Institute Boycott of Election

3. The Buddhist Institute militants are also implementing their call for an election boycott. According to evidence received by the US Embassy, an anti-election communiqué issued by the institute has been transmitted in the form of instructions to Buddhist representatives in the delta, and possibly throughout the country. The institute, in a declaration made public on 16 August, directly urged the Buddhist faithful to exercise their right not to vote in the election. Reports from the provinces, especially those in central Vietnam, also indicate that local Buddhist leaders responsive to the institute are attempting to follow through on the boycott.

4. Moderate Buddhists, who presently have little influence on institute policy, feel that the militants may be planning some kind of action to dramatize their boycott, although they do not believe that the militants would dare to resume street demonstrations. Premier Ky recently warned that firm action would be taken against anyone interfering directly with the elections. A leading southern Buddhist lay leader recently told a US official that he would vote in the election because it had become an issue between non-Communists and the Viet Cong. (More detailed coverage of the Buddhist anti-election situation is included as a supplement to this publication.)

Government Attempts to Assure Large Turnout

5. On the positive side, Premier Ky initiated the formal, two-week campaign period with a public address on 25 August, appealing for a large voter turnout despite the threat of Viet Cong intimidation. Normal censorship restrictions on the local press have been eased somewhat and candidates will be given free broadcasting time to heighten public interest in the election. The US Embassy has commented that other government efforts to stimulate voter awareness are showing good results, and various reports suggest that maximum use will be made of government personnel to increase the voter turnout on election day.

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Significance of Size of the Vote

6. The decision by the Viet Cong to discredit and disrupt the election and the government's strong efforts to thwart such attempts are thus imparting increasing significance to the size of the voter turnout. There are wide divergencies among Vietnamese--even within government circles--as to what effect the Viet Cong anti-election campaign, and that of the Buddhist Institute, will have on the percentage of the electorate voting on election day. Last month, before indications of the magnitude of the Viet Cong effort became apparent, the US Embassy reported that it was reasonable to assume a turnout of between 75 and 80 percent. Recently, however, individual embassy officers have been trying to convey an impression to the press that a turnout of 50 percent of the registered voters should be considered a solid government achievement. [] believes

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[] with a Buddhist boycott, only 30 to 40 percent of the electorate will vote in central Vietnam. He expects the turnout in the southern provinces to average 50 percent, with possibly 60 percent voting in Saigon.

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II. REVOLUTIONARY DEVELOPMENT

The US Mission summary of revolutionary development for the month of July cautiously highlights an increase in the number of hamlets, population, and territory secured. However, five provinces reported a net loss of hamlet control. There continue to be problems with regard to the Vietnamese officials who control the operation of the pacification cadre groups and with the cadres themselves. USAID projects registered general progress despite continued difficulties in commodity distribution and shortages of construction material. The national attitude toward pacification, such as it exists, still appears to be one of a lack of understanding of the real aims of the program, mixed with pleasure on receiving its benefits and fear of Viet Cong reprisals after pacification cadres leave an area. During the week ending 19 August, 279 Vietnamese Communists defected to the GVN.

Achievements During July

1. According to the official US Mission report for the month of July, the mainstay of the Revolutionary Development (RD) program--the securing of hamlets--has forged ahead a little more. The net increase in July of 34 secure or "pacified" hamlets brings the number of such hamlets to 4,088, out of a total of some 13,000 hamlets throughout the country. As of 31 July, MACV estimates 54.6 percent of the population and 11.4 percent of the land to be "secure." MACV's July tally of the number of provinces and autonomous cities showing progress or regression in securing their respective hamlets is as follows:

Progress	-	27 provinces, 1 autonomous city
No change	-	11 provinces, 2 autonomous cities
Regression	-	5 provinces

In the five provinces that lost ground (Tuyen Duc, Binh Thuan, Tay Ninh, Bien Hoa, and Long An), 40 hamlets were downgraded in status from the previous month.

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2. USAID's programs progressed in general during July. In Region I (I Corps), the most noteworthy accomplishments were the increased flow of commodities and the completion of 151 classrooms; 257 more are under construction. In the rest of the country, provincial insecurity and an inadequate transportation system continued to be primary negative influences on the distribution of commodities. Throughout the country, there were indications of a construction cost squeeze and a shortage of construction materials, partially as a result of the increasing competition for materials from other ministries and private contractors.

Rural Attitudes Toward Revolutionary Development

3. JUSPAO (USIA) identifies three "relatively mild" national attitudes toward pacification. First, there still does not appear to be any real understanding of what the Revolutionary Development (RD) program is. Despite this lack of understanding, recipients demonstrate some pleasure at being the beneficiaries of the program. There is also, however, a basic fear of reprisals from the Viet Cong when pacification cadres leave an area. The mild national interest in pacification is still apparently overshadowed by the preoccupation with the high cost of living. Additionally, lack of interest by the peasantry is related to an unfortunate ignorance of the provincial and corps officials responsible for implementing and monitoring the RD program as to its aims. JUSPAO also points out that the cadres themselves do not possess the capability to exploit the psychological aspects of their work. The weak psychological link is further compounded by the fluctuating support and effectiveness of the Vietnamese Information Service in the provinces.

Cadres' Status During July

4. The effects of local insecurity and ineffective leadership have had and probably will continue to have serious consequences for the success of the RD cadre program. There are continuing signs in some provinces that the work of the cadres has taken a turn for the worse. Apparently, both the cadres and the controlling officials have been at fault, particularly in the case of groups recently graduated from the first

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class at Vung Tau under the reorganized cadre concept. Specific problems with the cadre controlling mechanism included a wholesale change of provincial officials in the wake of the "struggle" movement, and a resultant atmosphere of general confusion and inactivity. Cadre groups rendered inactive eventually suffered a loss of motivation. Moreover, there was a higher incidence of desertion and absenteeism among the cadres. In the past, an unusually high level of motivation and national identity had been characteristic of teams, setting them apart from other specialized paramilitary and technical cadres.

5. In spite of the confusion and cadre apathy in some areas, inspection trips to the provinces by General Thang, Minister of RD, have provided a welcome stimulus to provincial officials. As a result of Thang's visits, US officials report that district chiefs, most of whom are grossly uninformed, have been prodded into paying more attention to pacification. In order to provide necessary guidance and provoke interest in the cadre program, an orientation course for district and province chiefs has been established at the national training center. Other orientation classes and a longer leadership training course have also been initiated, with stress on management, administration, and support at all levels.

Viet Cong Defectors (Chieu Hoi)

6. The defector tally for the week of 13-19 August follows:

I Corps	5
II Corps	86
III Corps	86
IV Corps	92
Total	*279 (187 military)

* Chieu Hoi Weekly Report Number 22 lists a total of 279 returnees. The total by corps areas, however, adds up only to 269. The discrepancy is probably in one of the corps tallies.

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The week's take of returnees included one North Vietnamese Army platoon leader and ten cadre-level Viet Cong. In the Da Nang area, an experiment utilizing defectors to identify Viet Cong among persons collected during US Marine clearing operations netted 19 Communists.

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III. ECONOMIC SITUATION

South Vietnam's economy showed several encouraging signs in the week ending 16 August. Prices of both domestic and imported goods fell substantially. According to the USAID retail price index, prices now have risen roughly 15 percent since the piaster was devalued by 50 percent two months ago. The price of pork fell by one third as arrivals of hogs in Saigon increased considerably. Rice prices also moved down; USAID reports that deliveries of rice to Saigon during the first half of August were relatively good. Free market gold and currency rates continued to tumble, and by 19 August the price of dollars and gold had reached new lows for 1966.

Moreover, with the successful domestic production of high-quality cloth for uniforms, a breakthrough has occurred in the program to utilize local facilities for the production of goods for South Vietnam's armed forces. Equally encouraging was the fact that Minister of Economy Thanh called a meeting with US officials and suggested that commencing 1 September a joint US-GVN meeting should be held every ten days to review economic problems, policies and future plans. The US quickly endorsed this proposal.

Prices

1. The recent encouraging decline in retail prices in Saigon has resumed after being interrupted by a moderate increase in the week ending 8 August. The over-all USAID retail price index declined six percent for the week ending 16 August, with food down seven percent and nonfood items down two percent. According to this index, prices have risen roughly 15 percent since the piaster was devalued by 50 percent two months ago.

2. The principal reason for the decline in the week ending 16 August was a decrease of roughly one third in the price of pork, which in turn led to lower

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prices for fish, chicken, and shrimp. The decline in the price of pork reflected increased hog arrivals in Saigon (see Paras 5-7). Prices of many other food items, including two varieties of rice, also declined. The largest drop recorded was for condensed milk, the price of which was 15 percent below that of 8 August. Among nonfood items, lower prices for charcoal and firewood were most notable. (A table of retail prices in Saigon is included in the annex).

3. The wholesale price of every imported commodity sampled declined, continuing the trend begun about five weeks ago. This most recent decline reportedly results from the tight credit situation which has forced importers to liquidate their inventories. Significant declines were recorded by condensed milk and iron and steel products.

Currency and Gold

4. Free market rates are tumbling as the GVN continues its sale of gold and as credit becomes tight. On 15 August, the price of dollars fell 23 piasters to 170 piasters per dollar and gold moved down to 230 piasters per dollar, or 12 piasters below the official sale price. MPC (scrip) declined 11 piasters to 112 piasters per dollar--the lowest rate thus far in 1966. In Hong Kong, the piaster-dollar cross rate rose slightly to 184. By 19 August the price of dollars (158 piasters) and gold (213 piasters) had reached new lows for 1966. (Graphics on monthly and weekly free market gold and currency prices are included in the annex.)

Pork

5. Arrivals of hogs at the Saigon slaughterhouse have increased notably since late July. In the week ending 19 August, arrivals totaled 8,113 compared with only 3,940 in the week ending 29 July. Arrivals now are approaching the normal consumption of the Saigon area, and prices have fallen close to the official levels.

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6. Although there is as yet no clear explanation for this upturn in hog deliveries, the following reasons have been advanced: (a) supplies of hogs have built up in the producing provinces to such an extent that suppliers must resort to official channels, in addition to the black market, for an outlet; (b) suppliers are trying to market their hogs before prices fall as a result of the importation of frozen pork scheduled for September; and (c) the Viet Cong are allowing more hogs to be shipped out of VC-controlled areas in order to build up false confidence until a few days before the 11 September elections, when the VC will abruptly cut off supplies. This latter explanation was put forth by a knowledgeable official of the GVN Ministry of Agriculture. The US Embassy regards this as unlikely, but notes that Viet Cong attempts to disrupt elections by cutting off shipments of hogs and other commodities from the countryside will bear close watching.

7. Meanwhile, preparations are being made for the importation during September of 1,500 tons of frozen pork. GVN officials have held a meeting with butchers and suppliers of hogs to resolve problems related to the marketing of the imported pork. USAID has offered assistance to the GVN Office of Supply on the technical problems of storage and distribution of the frozen pork.

Rice

8. Both wholesale and retail prices of rice have moved down slightly in Saigon during the past few weeks. Paddy prices in the delta, however, continue to increase. The US Embassy reports it is possible that prices now have peaked and that a fair quantity of rice will be released for sale during the remainder of 1966. Deliveries of rice to Saigon during the first half of August were relatively good. Minister of Economy Thanh has agreed to the formation of a joint US-GVN rice board, the structure and exact function of which remain to be discussed.

Credit

9. Credit became tighter in Saigon as the National Bank of Vietnam reportedly began to refuse

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to lend money to banks on the security of treasury bonds, which the banks were forced to buy two months ago. Some of the smaller Vietnamese banks now have loaned all available funds. Robert Nathan, currently in Saigon as a US economic adviser, commented on 18 August that, although credit must be restricted, excessive tightening of credit could be counterproductive.

Meeting with Minister Thanh

10. At the initiative of Minister of Economy Thanh, Deputy Ambassador Porter and other US officials met with Thanh and his staff on 19 August ostensibly to review major economic problems. The main result of the meeting was a suggestion by Thanh that, commencing 1 September and every ten days thereafter, a joint US-GVN meeting should be held to review economic problems, policies, and future plans. The US quickly endorsed Thanh's proposal.

11. In his opening remarks, Thanh noted the necessity of continuing to have a realistic and dynamic economic policy which deals not only with short-term economic problems but also with building a healthy economy in the long run. Thanh agreed that, in addition to specific problems, the forthcoming regularly scheduled meetings should consider broad problems such as a total piaster budget and allocation of manpower resources. Finally, Thanh noted that the GVN has no planning experts and requested help on this score. The US Embassy considers this meeting a most salutary development, particularly since it was initiated by Thanh, and intends to use future meetings constructively.

Textile Production

12. A breakthrough has occurred in the program of encouraging utilization of local facilities for the production of commodities for South Vietnam's armed forces. Plants affiliated with Vinatexco and Vinatexfinco, two large Vietnamese textile firms, have successfully completed production of 50,000 meters of high quality camouflage twill cloth for

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uniforms. Now that it has been proven that such fabric can be produced domestically, it is anticipated that additional contracts for local production of this cloth will be forthcoming.

Labor Problems

13. According to MACV, some 400 workers in the Saigon area, engaged in moving goods destined for US troops, went on strike on 19 August. The workers are protesting a pay reduction which results from a change of working hours from two 12-hour shifts to three eight-hour shifts. Military personnel have been moving the supplies since the strike began.

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ANNEX

TABLE
Weekly Retail Prices in Saigon a/
(In Piasters)

	3 Jan 1966	18 Jul 1966	25 Jul 1966	1 Aug 1966	8 Aug 1966	Percent Change from Mo. Ago	Percent Change from Yr. Ago
Index for All Items <u>b/</u>	<u>160</u>	<u>209</u>	<u>217</u>	<u>219</u>	<u>228</u>	<u>+ 6</u>	<u>+ 110</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>220</u>	<u>230</u>	<u>228</u>	<u>237</u>	<u>-0.3</u>	<u>+ 113</u>
Of Which:							
Rice/Soc Nau (100 kg.)	800	1,500	1,500	1,500	1,450	0	+ 71
Pork Bellies (1 kg.)	70	150	150	140	150	- 12	+ 150
Fish/Ca Tre (1 kg.)	110	140	160	160	190	+ 6	+ 217
Nuoc Mam (jar)	50	85	85	85	85	0	+ 55
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>172</u>	<u>172</u>	<u>185</u>	<u>194</u>	<u>+ 26</u>	<u>+ 99</u>
Of Which:							
Charcoal (60 kg.)	440	600	600	600	620	+ 13	+ 82
Cigarettes (pack)	10	12	12	12	14	+ 27	+ 40
White Calico (meter)	27	40	40	40	38	- 3	+ 73
Laundry Soap (1 kg.)	30	45	44	44	44	+ 10	+ 100

a/ Data are from USAID sources.

b/ For all indexes, 1 January 1965 = 100.

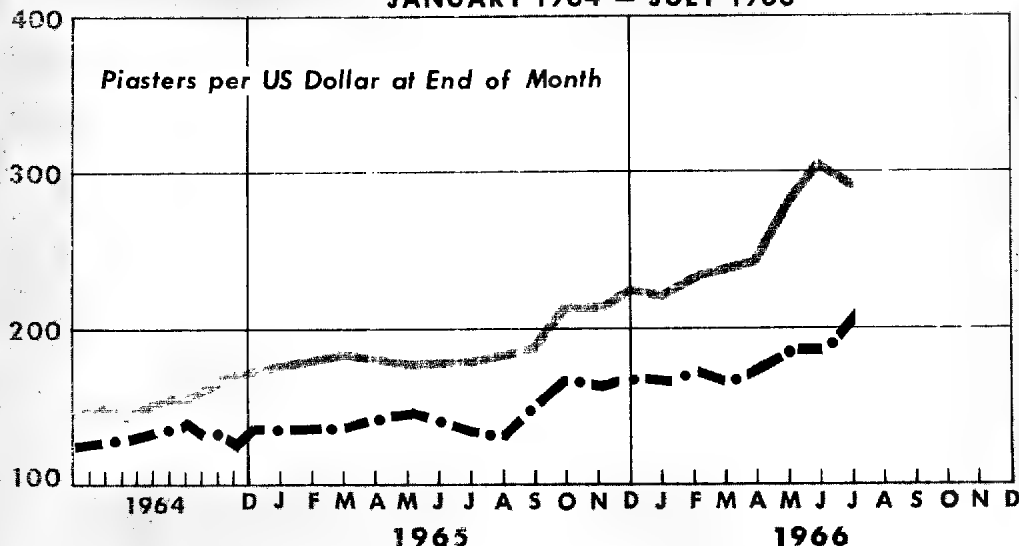
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SOUTH VIETNAM ECONOMIC INDICATORS

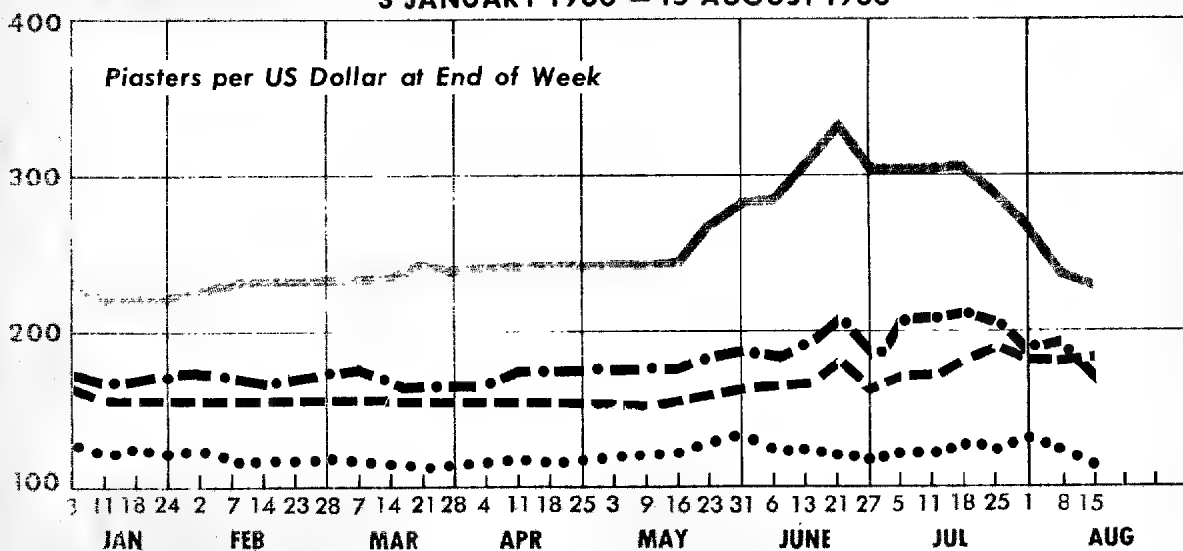
Monthly Free Market Gold and Currency Prices

JANUARY 1964 - JULY 1966



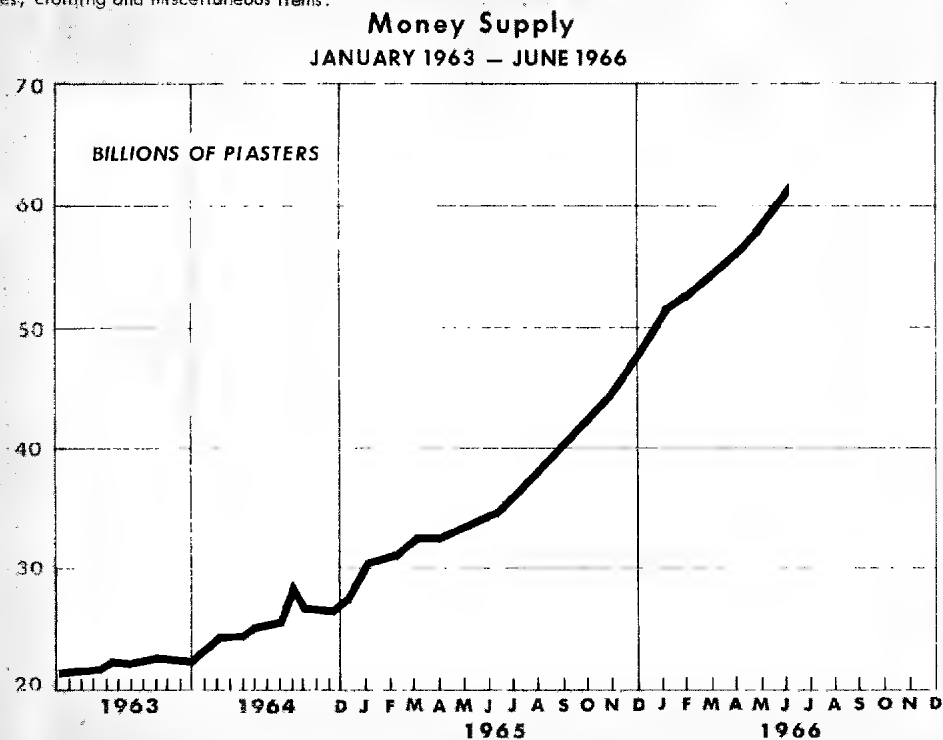
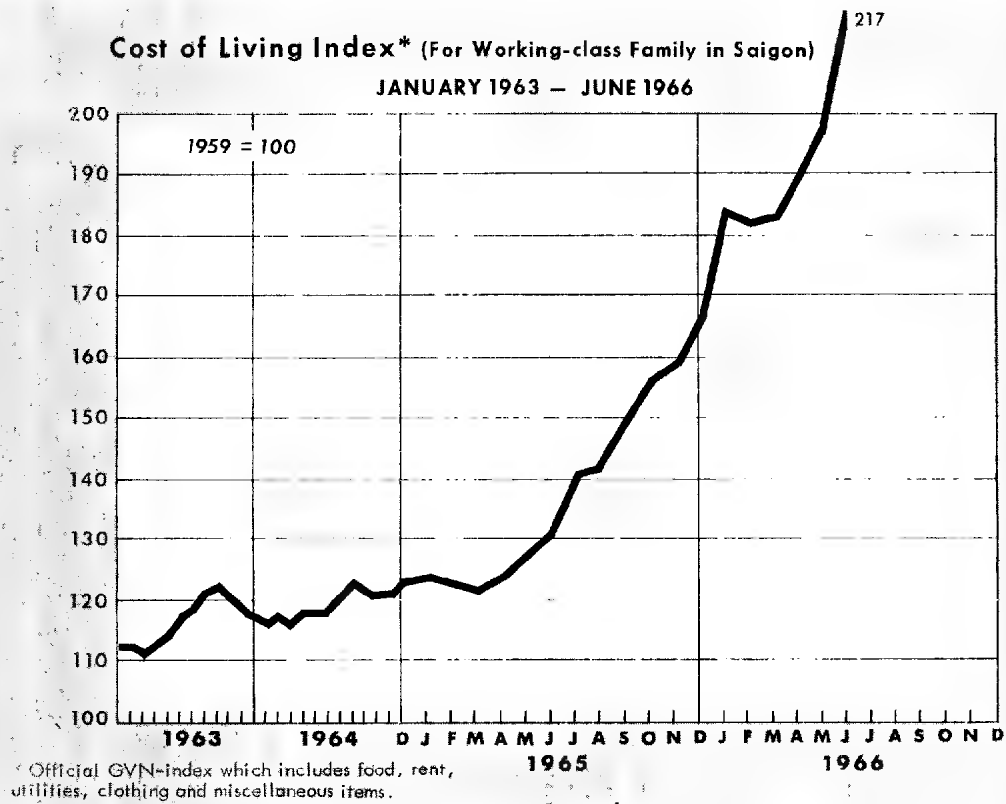
Weekly Free Market Gold and Currency Prices

3 JANUARY 1966 - 15 AUGUST 1966



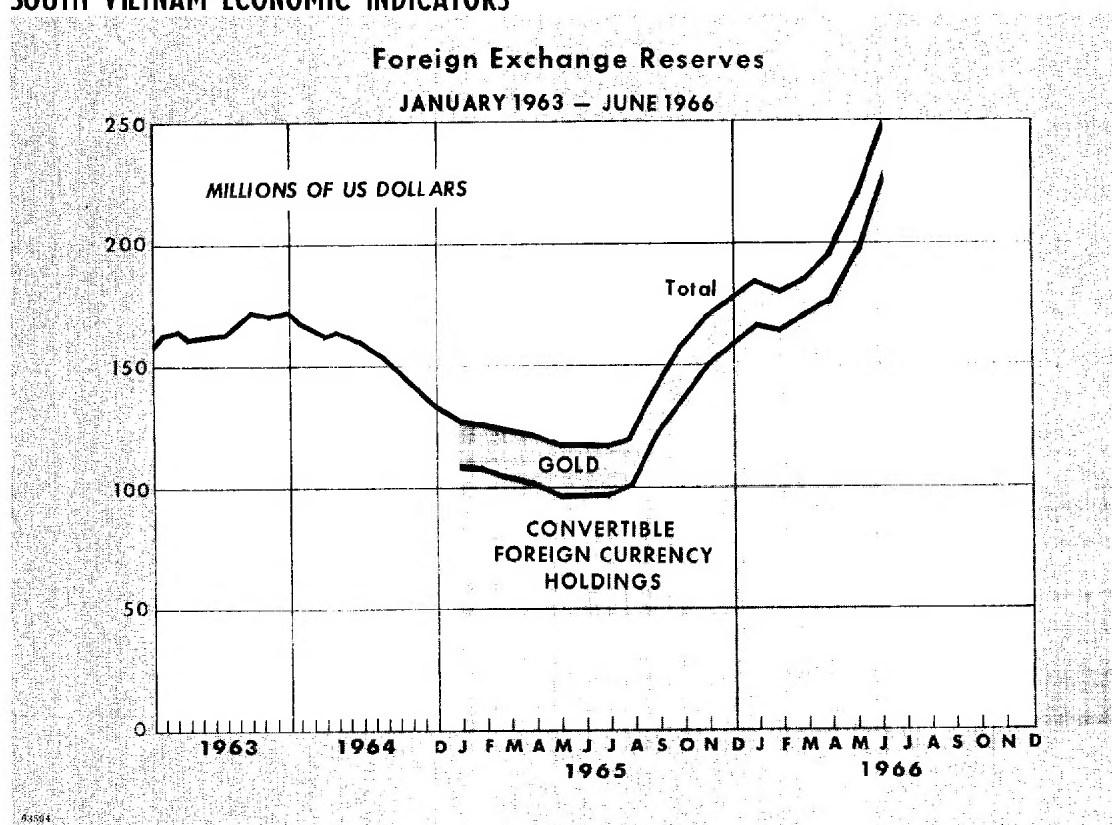
- GOLD (Saigon) - Piaster price per US dollar of gold calculated on the basis of gold leaf as worth \$35 per troy ounce.
- • - US \$10 GREEN (Saigon)
- - - PIASTER-DOLLAR CROSS RATE - Piaster-dollar exchange rate in Hong Kong calculated by reference to the exchange rates of these two currencies to the Hong Kong dollar.
- • • • • US \$10 MPC (Saigon) - Military Payment Certificates (scrip).

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SUPPLEMENT

BUDDHIST AND OTHER ANTI-ELECTION ACTIVITY

The Buddhist Institute

1. The main source of Buddhist opposition to the Constituent Assembly election scheduled 11 September is the United Buddhist Association, speaking through the Buddhist Institute. With the voice of Thich Tri Quang muted by his virtual house arrest while fasting since early June, his antigovernment influence is being exercised through the acting head of the Buddhist Institute, Thich Thien Hoa.

2. A recent series of Buddhist Institute communiqués and announcements has reiterated demands that the present government immediately step aside and allow a transitional government to supervise the election. A declaration made public on 16 August spelled out a position of noncooperation for the Buddhist church and urged the laity to boycott the election. This call for a Buddhist boycott will probably adversely affect voter turnout--particularly in I Corps--and may prevent the government from attaining a percentage of participation equal to that of 1965, when 73 percent of the registered electorate voted.

3. At least one Vietnamese observer has estimated that the Buddhist boycott may result in only 30-40 percent of the electorate voting in central Vietnam. For the rest of the country, he predicts a possible 60 percent turnout in Saigon and about 50 percent in the delta provinces. The US Embassy has commented that a 50 percent national turnout would be a significant achievement for the government.

Developments in the Provinces

4. Most of the reports of Buddhist anti-election activity have originated from the Hue and Da Nang areas of I Corps, where remnants of last spring's "struggle" movement have gone underground following government suppression.

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5. Several organizations have been detected by Vietnamese security forces in Hue, and such groups are known to be disseminating propaganda tracts and newspapers. The Viet Cong are apparently attempting to infiltrate these clandestine organizations as well as youth and teachers organizations, and may attempt to use them to disrupt the elections.

6. In Da Nang, low-level reports have been received about an all-out Buddhist effort to oppose the election. However, actual anti-election activity by the Buddhists in Da Nang has to date consisted mainly of spreading anti-election leaflets.

7. Reports have also been received concerning Buddhist anti-election activities in Khanh Hoa Province including methods which play on the superstitious nature of the people. These activities are probably in response to the 13 August declaration of the Buddhist Institute, which has apparently been disseminated as instructions to Buddhist pagodas throughout the country. Responsiveness in the delta, where Buddhist Institute influence is weak, may be quite limited.

Front of All Religions

8. In some areas, a Buddhist boycott may be helped by similar opposition from other minority religious factions, such as the Front of All Religions organized by Father Hoang Quynh. The Front came into existence in the wake of last spring's struggle effort, attracting antigovernment elements from various Buddhist factions and other religious groups including the Hoa Hao, Cao Dai and Protestants. Consistently following a line toward the government which generally parallels that of the Buddhists, Father Quynh very quickly marshaled his organization behind the 13 August call of the Buddhist Institute for a boycott of the election. Moreover, he directly challenged the government to contest the legality of his organization's position. Currently, not very much is known concerning the ability of Quynh and his group to sway voters in the forthcoming elections, although most sources characterize their influence as minor.

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